China’s mobility barriers and employment allocations*

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Abstract  
China’s hukou system imposes two main barriers to population movements. Agricultural workers get land to cultivate but are unable to trade it in a frictionless market. Social transfers (education, health, etc.) are conditional on holding a local hukou. We show that the land policy leads to over-employment in agriculture and it is the more important barrier to industrialization. Effective land tenure guarantees and a perfect competitive rental market would correct this inefficiency. The local restrictions on social transfers favour rural enterprises over urban employment with a relatively smaller impact on industrialization.  

Keywords. Chinese immigration, Chinese land policy, imperfect rental market, mobility barriers, hukou registration, social transfers  
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